

Message Text

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PAGE 01 GENEVA 06802 01 OF 02 051141Z

ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-11 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 STRE-00
OIC-02 JUSE-00 /169 W
-----025443 051218Z /72

R 051037Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC 9222

INFO AMEMBASSY ALGIERS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY ISLAMABAD

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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PAGE 02 GENEVA 06802 01 OF 02 051141Z

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 06802

PASS ELECTRONICALLY USDA FOR ASST. SEC. HATHAWAY AND
STR FOR AMB. WOLFE

E.O. 11652: N/A

TAGS: EAGR ETRD OCON

SUBJECT: GRAIN NEGOTIATIONS: INTERIM COMMITTEE MEETING
MAY 1-5

REF: (A) GENEVA 6643; (B) GENEVA 6540

1. SUMMARY: IMPORTERS REPEAT DEMAND FOR PREFERENTIAL ACCESS TO RESERVES AND SUPPLY ASSURANCES. EXPORTERS COMMENT ON DISCIPLINE OVER SALES PRACTICES. EC PROPOSES 15 MILLION TON RESERVE WITH COUNTRY ALLOCATION BASED ON SHARE OF WORLD TRADE. COMMITTEE TO MEET NEXT IN LONDON, JUNE 5-22 TO BEGIN SUBSTANTIVE DRAFTING. END SUMMARY.

2. DURING FINAL DISCUSSIONS ON WHEAT TRADE PROVISIONS, LDC MEMBERS AS WELL AS JAPAN SOUGHT EXPLANATION AS TO WHETHER RESERVE STOCKS WOULD BE RELEASED ONLY TO MEMBERS AT FIRST RISING TRIGGER POINT AND WHETHER DIFFERENTIATION BETWEEN MEMBERS AND NON-MEMBERS WOULD OCCUR WITH RESPECT TO AVAILABILITY OF SUPPLIES AT THIRD RISING POINT. U.S. RESPONDED THAT DIFFERENTIATION IS DIFFICULT. A COMMITMENT TO THE INTERNATIONAL COMMUNITY AS A WHOLE WHICH WOULD PROVIDE SOME BENEFIT TO NON-MEMBERS WOULD NEVERTHELESS ASSURE TO MEMBERS GREATER FOOD SECURITY AND PRICE STABILITY THAN UNDER THE CURRENT 1971 AGREEMENT. THE U.S. HOWEVER WOULD TAKE EVERY STEP TO ASSURE PRIORITY TO MEMBERS IN A SITUATION OF TIGHT LIMITED OFFICIAL USE

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PAGE 03 GENEVA 06802 01 OF 02 051141Z

SUPPLIES. WHILE SPECIFIC QUANTITY COMMITMENTS MIGHT BE ATTRACTIVE TO IMPORTERS, THESE COMMITMENTS WOULD NO DOUBT BE EXPRESSED IN TERMS OF "NORMAL" TRADE PATTERNS WHICH IN ABNORMAL MARKET SITUATIONS WOULD NOT PROVIDE MEANINGFUL FOOD SECURITY TO THOSE COUNTRIES WITH EXCEPTIONAL IMPORT NEEDS.

3. OTHER MAJOR EXPORTERS RESPONDED ALONG SIMILAR LINES STATING THAT SPECIFIC COUNTRY BY COUNTRY SUPPLY COMMITMENTS WERE NOT PREFERABLE BUT THAT INSTEAD THEY WOULD "MAXIMIZE" DELIVERIES IN TIGHT SUPPLY SITUATIONS, PARTICULARLY IN THE CASE OF LDC'S AND WOULD BE PREPARED TO CONSULT AS TO REMEDIES WHICH COULD BE IMPLEMENTED TO FURTHER STABILIZE THE MARKET.

4. CONSULTATIONS AT THE THIRD RISING/FALLING TRIGGER POINTS WERE ADDRESSED BRIEFLY. CANADA NOTED THAT CONSULTATIONS AT THE LOW END OF THE RANGE DEALING WITH "FURTHER ACTION" AND "SALES PRACTICES" NEEDED TO BE DEFINED IN GREATER DETAIL, E.G. "EXCESSIVE EXPORT ASSISTANCE" AND OTHER COMPETITIVE ELEMENTS SUCH AS "FORWARD SELLING". WHILE THE CANADIAN WHEAT BOARD WOULD

HAVE SOME CONTROL OVER FORWARD SELLING, MINER EXPRESSED THE VIEW THAT THIS WOULD NOT BE THE CASE FOR THE U.S. AND AS SUCH COULD WEAKEN TO SOME EXTENT COOPERATIVE MEASURES IMPLEMENTED AT THIS TRIGGER POINT. U.S. COMMENTED THAT CONSULTATIONS AT THE THIRD RISING POINT MIGHT REVIEW DIRECT OR INDIRECT EXPORT CONTROLS AND AT THE THIRD FALLING POINT MIGHT REVIEW TRADE FLOWS TO INSURE THAT TRADE PRACTICES DO NOT DISADVANTAGE OTHER MEMBERS.

5. THE EC INTRODUCED A PAPER ON RESERVE STOCKS SUGGESTING A GLOBAL TOTAL OF 15 MILLION TONS AND A RESERVE SHARES SCHEME BASED ON SHARE IN WORLD TRADE (BOTH IMPORTS AND EXPORTS). LOW INCOME LDC'S WOULD HAVE A PORTION OF LIMITED OFFICIAL USE

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PAGE 04 GENEVA 06802 01 OF 02 051141Z

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PAGE 01 GENEVA 06802 02 OF 02 051146Z
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PAGE 02 GENEVA 06802 02 OF 02 051146Z

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 06802

THEIR SHARES REALLOCATED AMONG DEVELOPED COUNTRIES.
UNDER THE SCHEME, THE FOUR MAJOR EXPORTERS WOULD CARRY
55 OF THE TOTAL RESERVE. SPECIFIC ALLOCATIONS AS
FOLLOWS: U.S. - 4.3 MMT (29), CANADA - 2.0 MMT, EEC -
2.1 MMT, AUSTRALIA - 1.3 MMT, ARGENTINA - 0.4 MMT,
USSR - 1.5 MMT, JAPAN - 0.9 MMT, INDIA - 0.1 MMT,
EGYPT - 0.2 MMT, BRAZIL - 0.4 MMT.

6. SEVERAL DEVELOPED COUNTRIES CRITICIZED TRADE-ONLY
CRITERIA FOR SHARE DISTRIBUTION. BRAZIL PROTESTED EC
REALLOCATION PROPOSAL AS DISCRIMINATION AMONG DIFFERENT
LDC'S. AS TO THE OVERALL STOCK SIZE, U.S., CANADA AND
THE LDC'S CRITICIZED 15 MILLION TON FIGURE AS INADEQUATE
TO ASSURE FOOD SECURITY. ON THIS POINT, EGYPT AND
INDIA WERE PARTICULARLY VOCAL STATING THAT AN AGREEMENT
BASED PRIMARILY ON STOCKING PROVISIONS WITH THE GLOBAL
STOCK SIZE MUCH SMALLER THAN THE 30 MILLION TONS PROPOSED
BY THE U.S. WOULD ESSENTIALLY IGNORE FOOD SECURITY.

7. CANADA (MINER) AS EXPECTED (REF B) NOTED THAT
NEGOTIATIONS SHOULD BEGIN AT THE 30 MILLION TON LEVEL BUT
MAY WELL BE ADJUSTED DOWNWARD IN ACCORDANCE WITH FINAL
MEMBERSHIP AND REDISTRIBUTION OF LDC SHARES. CANADA,
HOWEVER, WOULD HAVE SERIOUS CONCERN IF THE FINAL AGREED
LEVEL APPEARED TO BE TOO LOW TO ACCOMPLISH OBJECTIVES
OF AGREEMENT.

8. IN RESPONSE, THE EC RAISED THE ISSUE OF "OPERATIONAL
STOCKS" OR WORKING STOCKS WHICH WOULD BE ADDITIONAL

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PAGE 03 GENEVA 06802 02 OF 02 051146Z

TO RESERVE STOCKS AND WOULD BE CONSIDERED PART OF AN OVERALL STOCKS ARRANGEMENT. EC SAID THAT AT THE FIRST RISING TRIGGER POINT ON THE BASKET PRICE INDICATOR, STOCKS RELEASE WOULD IMPLY THE RELEASE OF RESERVE PLUS OPERATIONAL STOCKS.

9. MEETING ENDED WITH AGREEMENT THAT NEXT SESSION (LONDON, JUNE 5-22) SHOULD ATTEMPT DRAFTING OF KEY SUBSTANTIVE ARTICLES FOR NEW AGREEMENT. PRIOR TO MEETING CHAIRMAN DUNKEL AND PAROTTE WILL CIRCULATE A PAPER LISTING ELEMENTS OF AN AGREEMENT THAT COULD BE NEGOTIATED AT JUNE SESSION. DUNKEL INDICATED THAT PAPER WILL SUGGEST A SINGLE TRADE CONVENTION COVERING BOTH WHEAT AND COARSE GRAINS. VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GRAINS, NEGOTIATIONS, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA06802
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780192-0238
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780590/aaaacypz.tel
Line Count: 243
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 30dacba3-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 6643, 78 GENEVA 6540
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2784062
Secure: OPEN
Status: NATIVE
Subject: GRAIN NEGOTIATIONS: INTERIM COMMITTEE MEETING MAY 1-5
TAGS: EAGR, ETRD, OCON
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/30dacba3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014